DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
ANNUAL REPORT ON GOALS, OBJECTIVES, AND POLICIES

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Program ID/Title: AGS-203/Risk Management

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I. Goal

The program will endeavor to protect the State against catastrophic losses and to minimize total cost of risk. The result will ensure losses of the State are controlled and financed on a well-coordinated basis.

II. Objectives and Policies

A. #1 - Identify and analyze the State's loss exposures to determine risks that should be self-insured versus commercially insured and purchase applicable Statewide property, liability, and crime insurance policies at cost effective terms.

B. #2 - Coordinate loss control and cost containment activities to minimize accidental and fortuitous losses.

C. #3 -Settle informal tort claims (up to $10,000), adjust automobile claims and property losses fairly and promptly.

D. #4 - Manage a revolving fund to assure the availability of funds for the purchase of insurance policies, and payment of self-insured and insured losses and other risk management service.

E. #5 - Operate a management information system to identify and analyze loss exposures to determine frequency and severity of losses, to forecast losses, and to determine the most economical method of financing losses.

III. Action Plan with Timetable

A. #1 - Identify and analyze the State's loss exposures to determine risks that should be self-insured versus commercially insured and purchase applicable Statewide property, liability, and crime insurance policies at cost effective terms.

Past Year Accomplishments

1. Purchased insurance policies with higher limits of coverage and more favorable terms and conditions than prior year to protect the State's physical assets and protect against its liabilities.

2. Utilizing the "Request for Proposal" (RFP) procurement process, a new insurance broker, AON was selected to represent the State for a period of 3 to 5 years. It is anticipated that the specifications required in the RFP will provide the State with additional services such as increased training to departmental Risk Management Coordinators, more on-site risk evaluations, and revised approaches to policy structures to maximize deductibles and minimize premiums.

3. Started property data survey to identify all State buildings and determine valuation of buildings and contents.

One Year

1. Maintain or improve on prior year's insurance coverage with increased limits and more advantageous terms and conditions.

2. Readdress the implementation of pooled insurance programs for eligible construction projects to provide broader insurance protection, lower insurance cost and reduce on-the-job accidents, as projects become available.

3. Complete the property data survey that began prior year to better assess the State's physical assets, such as buildings and contents.

4. Conduct statewide liability exposure survey.

Two Years

1. Maintain or improve on prior year's insurance coverage with increased limits and more advantageous terms and conditions.

2. Update the property data survey.

3. Continue the Statewide liability exposure survey.

Five Years

1. Maintain or improve on prior year's insurance coverage with increased limits and more advantageous terms and conditions.

2. Continue the property data update.

B. #2 - Coordinate loss control and cost containment activities to minimize accidental and fortuitous losses.

Past Year Accomplishments

1. Conducted 5 risk assessments of State facilities and a 6th is ongoing at Aloha Stadium.

2. Conducted 4 training sessions for departments in connection with the State's insurance broker.

3. Cost allocation program continues to be used as a means of holding departments and agencies accountable for their risks and losses.

4. Developed Risk Management Coordinators Newsletter – "RISK E-NOTES"

One Year

1. Conduct loss prevention surveys of State facilities such as airports, schools, convention center, hospitals and other public facilities on a two to three year cycle.

2. Reassess the costs of risk on a fiscal year basis to all agencies to hold them accountable for their losses. The assessment began in FY 2001. Projections for FY 2006 – FY 2007 remained the same as FY 2005. The methodology of the cost allocation, or rescinding of the cost allocation system, will be reviewed prior to the next projection for FY 2008 – FY 2009.

3. Consider cost containment programs related to employee and property losses, such as deductibles for recurring types of losses.

4. Continue installation of wireless alarm systems in public schools to prevent property crime. The Department of Education has

selected a new wireless alarm system, however, none were installed in FY 2005. It is expected that the installations will continue until all schools have protection. Additional loss control measures will be evaluated, such as motion sensor lights, security guards, etc.

5. Consider installation of alarm/security systems for other programs that meet certain needs criteria.

6. Continue newsletter.

7. Develop website.

Two Years

1. Continue the One Year goals and objectives.

Five Years

1. Continue the One Year goals and objectives.

D. Objective/Policy #3 - Settle informal tort claims (up to $10,000), adjust automobile claims and property losses fairly and promptly.

Past Year Accomplishment

1. The program investigated and processed 1107 tort claims, a 15% increase over FY 2004 and a 75% increase over FY 2003. The increase resulted primarily with poor weather affecting State roads.

2. The program investigated and resolved 320 auto accidents, a 15% decrease from FY 2004 and a 4% decrease from FY 2003.

3. The program investigated and resolved 105 property loss claims, 40% down from FY 2004 and 17% down from FY 2003. The program was successful in receiving $25 million from the insurance carrier for the largest catastrophic event in FY 2005, the flood at the University of Hawaii, in October 2004, that caused approximately $80 million in damage and losses. The program also worked with the University of Hawaii, State Civil Defense, and the Federal Emergency Management Agency (FEMA) to receive approximately $36 million in FEMA aid.

One Year

1. Update the Risk Management Manual that had been published in 1992.

2. To minimize the cost of processing claims without compromising quality and productivity, all claims are processed by the staff. To maintain high work standards, a manual to provide guidelines and procedures is being developed for handling of claims and losses, including catastrophic losses. The manual will be issued by June 2006. The manual will be reviewed annually and updated as needed.

3. Workshops to train departmental risk management coordinators in the procedures for handling claims to ensure claims are investigated and processed properly will continue to be conducted during FY 2006 with the assistance of the insurance broker. Annual informal training will continue as changes occur or new coordinators are added.

Two Years

1. Continue workshops to train departmental risk management coordinators.

2. Review and update the program’s manuals.

Five Years

1. Continue workshops to train departmental risk management coordinators.

2. Review and update the program’s manuals.

E. Objective/Policy #4 - Manage a revolving fund to assure the availability of funds for the purchase of insurance policies, payment of self-insured and insured losses, and other risk management service.

Past Year Accomplishment

1. The cost allocation program was implemented in FY 2001 to hold

each agency accountable for its costs of risk continues to be utilized. Based on each agency loss exposures and losses incurred, the costs of risk will be assessed and collected on an annual basis and deposited into the revolving fund from which payments of losses will be made.

2. The program was able to fund claims made against or for the State.

One Year

1. Reassess the costs of risk on a fiscal year basis to all agencies to hold them accountable for their losses. The assessment began in FY 2001. Projections for FY 2006 – FY 2007 remained the same as FY 2005. The methodology of the cost allocation, or rescinding of the cost allocation system, will be reviewed prior to the next projection for FY 2008 – FY 2009.

2. Annual evaluations of the cost allocation assessments will be done after the December 1st insurance renewal.

Two Years

1. Annual evaluations of the cost allocation assessments will be done after the December 1st insurance renewal.

Five Years

1. Annual evaluations of the cost allocation assessments will be done after the December 1st insurance renewal.

F. Objective/Policy #5 - Operate a management information system to identify and analyze loss exposures to determine frequency and severity of losses, to forecast losses, and determine the most economical method of financing losses.

Past Year Accomplishment

1. The management information system for claims tracking, loss control, and loss finance had been developed by Systems and Procedures Office in connection with the program. Enhancements were completed that reduced the time to prepare standard letters and reports.

One Year

1. Continue review of program and work with Systems and Procedures Office on additional enhancements to allow flexibility and greater capability of managing the information in order to produce reports.

2. Determine viability of having shared programs with Department of the Attorney General in effort to track losses.

Two Years

1. Continue review of program and work with Systems and Procedures Office on additional enhancements to allow flexibility and greater capability of managing the information in order to produce reports.

Five Years

1. Continue review of program and work with Systems and Procedures Office on additional enhancements to allow flexibility and greater capability of managing the information in order to produce reports.

IV. Performance Measures

A. Customer Satisfaction measure - All State agencies receive risk management service. Service includes the purchase of insurance to protect against catastrophic losses at cost effective terms, payment of self-retained losses fairly and promptly, and finding ways to prevent or minimize losses. Because agencies are charged for their cost of risk, larger demand for services and containment costs is anticipated. Surveys will be conducted to identify and measure customer needs, realistic goals will be developed and implemented. Self-evaluation of how and where our expenditures are being directed will also be made to obtain the most positive impact on controlling expenditures.

B. Program Standard measure - Establish tolerable limit of losses based upon frequency. Develop action plan to reduce losses that have exceeded tolerable limits. Identify and utilize opportunities to expand risk management service without increasing overhead.

C. Cost Effectiveness measure - Establish tolerable limits of losses based upon severity. Develop action plan to reduce losses that have exceeded tolerable limits. Investigate ways to contain loss severities that have greatest impact on total cost or risk.